Prince Edward Island
CANADA

Liquor Control Commission

2012 Annual Report

Prince Edward Island Liquor Control Commission

Moderation is always in good taste.

Prince Edward Island
Liquor Control Commission
64th Annual Report

For the Year Ended
March 31, 2012

Corporate Vision

The Prince Edward Island Liquor Control Commission will be recognized as a truly superior retailer in Prince Edward Island. We will achieve this through quality products, modern technology and increased services. We will be the provincial leader in relationships with our partners, customers and suppliers. We will always strive for the best possible value for our customers, staff and other stakeholders.

Mission Statement

The PEI Liquor Control Commission regulates the sale of beverage alcohol under the authority of the *PEI Liquor Control Act*. It manages the distribution of alcohol by:

- operating in a socially responsible manner;
- achieving the revenue goals of the Provincial Government;
- providing suppliers with controlled access to the marketplace on a fair basis from modern, attractive venues;
- encouraging responsibility and moderation in the consumption of beverage alcohol; and
- providing its employees with equality of opportunity and increased training programs that assist in the individual's personal development and in the commission's overall customer service strategy.

Corporate Values

- **Moderation** – We promote responsible use as a way of life.
- **Quality Service** – We take pride in the quality of our work. We strive for excellence in caring for our customers, suppliers and one another.
- **Continuous Improvement** – As a retailer, we welcome change. We are committed to continuous improvement to all of our services.
- **Integrity and Fairness** – We take responsibility and are fully accountable for our actions, decisions and behaviour. We meet our commitments and obligations to co-workers, customers and business partners. We are open, honest and fair.
- **Importance of People** – We are committed to fostering a positive workplace that builds teamwork, mutual respect and encourages individual development.
- **Focus on Results** – We are committed to getting the job done and improving our productivity levels.

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Message From the Minister

The Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

May It Please Your Honour:

Pursuant to the *PEI Liquor Control Act* and as Minister designate, it is my privilege to submit the 64th Annual Report of the Prince Edward Island Liquor Control Commission.

Respectfully submitted,

Robert Henderson
Minister of Tourism and Culture
Minister Responsible for the PEI Liquor Control Commission

Message From the Chairman

The Honourable Robert Henderson
Minister of Tourism and Culture
Minister Responsible for the PEI Liquor Control Commission
PO Box 2000
Charlottetown, PE C1A 7N8

Sir:

In compliance with Section 87(3) of the *PEI Liquor Control Act*, I have the honour to submit the 64th Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 2011 to March 31, 2012.

Respectfully submitted,

Hector MacLeod
Chairman

Message From the CEO

Mr. Hector MacLeod, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. MacLeod:

It is my pleasure to announce that the PEI Liquor Control Commission (PEILCC) has surpassed its previous year's transfer to government for the 15th consecutive year. The PEILCC reported returns to the Government of Prince Edward Island of over $41.5 million for the fiscal year ending March 31, 2012.

This past fiscal year was very successful for the PEILCC with gross sales increasing by more than $3.3 million to over $95 million. The PEILCC attributes this success to the foresight, dedication and determination of both our staff and Board of Commissioners.

I want to thank all PEILCC employees for their contributions to our success this year. Thank you also to the ongoing commitment and leadership of the Executive Management team and finally to the continued support of the PEILCC Board.

We have built a strong team at the PEILCC and I look forward to our future work together.

Yours truly,

Brooke MacMillan
Chief Executive Officer

Corporate Governance

Corporate governance describes the process and structure for overseeing the direction and management of a crown corporation so that it effectively fulfills its mandate. This involves both its public policy and commercial objectives. It defines who is responsible for what, and how to ensure accomplishment and accountability.

Liquor Control Commission Board
Standing from left: Pauline Wood, Member; James Gormley, Q.C., Legal Counsel; Pam Campbell, Secretary; John Bell, Member; and Robert Lord, Member.
Seated from left: Sharon Moore, Vice-Chair; Brooke MacMillan, Chief Executive Officer; and Hector MacLeod, Chair.

Mandate of Commission Board

The mandate of the board is to supervise the business affairs of the commission. Its most important responsibilities are:

- ensuring that the PEILCC provides high-quality service to the public
- developing and approving the strategic plan and monitoring management's success in meeting the strategic plan
- approving annual financial plans
- assessing and managing business risks
- ensuring that the PEILCC performs its regulatory role in a fair and impartial manner.

Accountability to Government and Public

The PEILCC is held accountable by the Government and people of PEI in a number of ways, including:

- the Annual Report, tabled in the Provincial Legislature and available for all Islanders to review, either in print or online at *www.peilcc.ca*
- annual audits of the PEILCC's financial statements by the auditor
- public access to records under the *Freedom of Information and Protection of Privacy Act*
- publicly appointed commission members.

Appointment of Members of the Commission

The Lieutenant Governor in Council, through an order-in-council, appoints the members of the commission, establishes the honouraríums and designates the chair and vice-chair.

Responsibilities of Commission Members

Each commission member has individual responsibility for corporate governance including:

- acting honestly and in good faith in making decisions with a view to the best interests of the PEILCC and all its stakeholders
- overseeing the management of the business affairs of the PEILCC
- avoiding conflicts of interest
- having adequate knowledge of the PEILCC's business, how it is organized and how it functions
- attending commission meetings and seeking professional advice where necessary
- providing guidance on policy development
- reviewing appeals of listing applications.

Audit Committee

The Audit Committee is elected annually and consists of three commission members in addition to the chairman and the CEO as ex-officio. The committee ensures the reliability and accuracy of the PEILCC's financial statements, helps co-ordinate and improve internal control functions, and ensures the PEILCC adheres to sound corporate governance principles.

The 2011-12 Audit Committee consisted of Robert Lord, Chair and members John Bell, Sharon Moore, and Hector MacLeod and Brooke MacMillan as ex-officio.

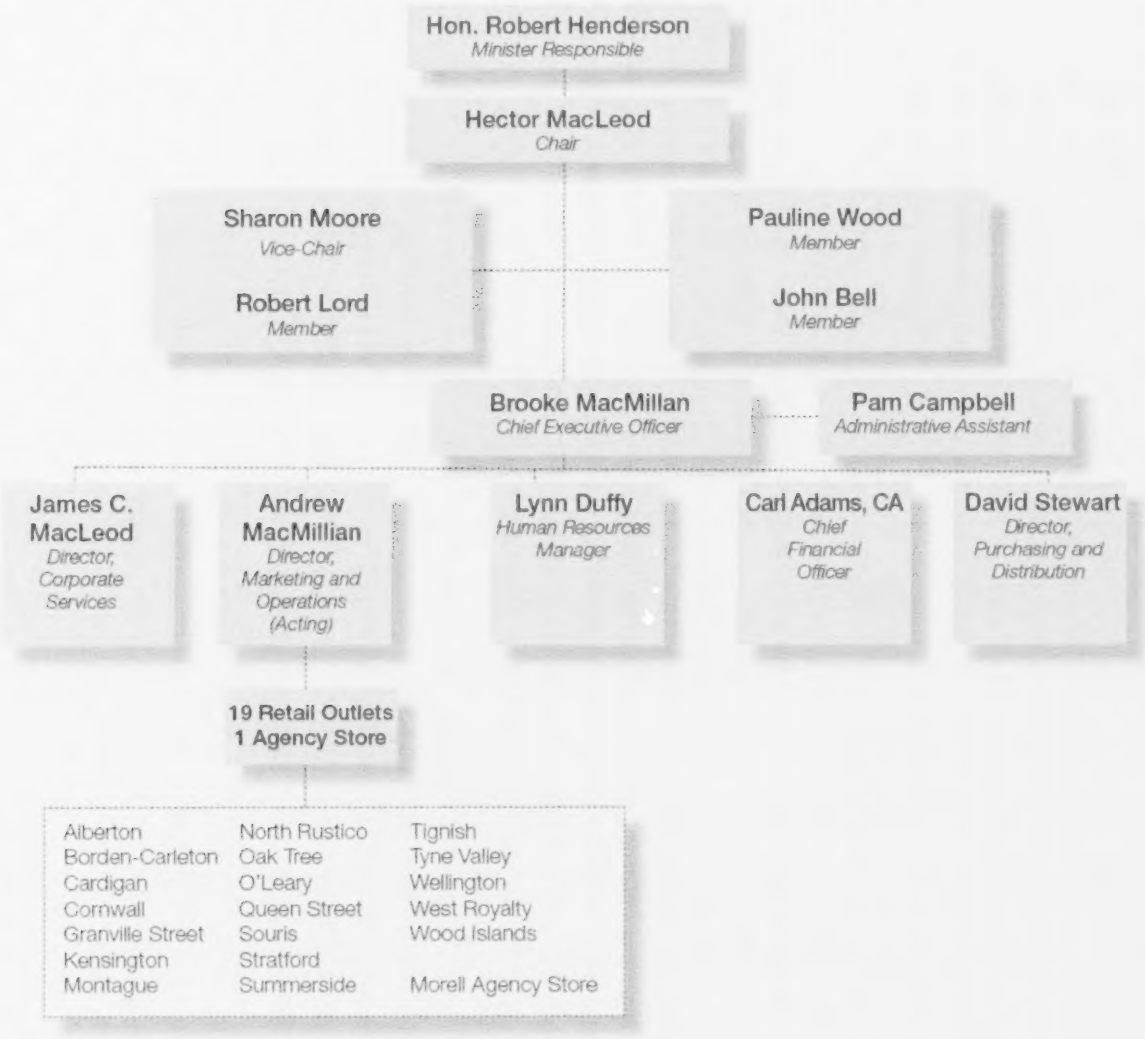
Strategic Planning Committee

The Strategic Planning Committee is elected annually and consists of three commission members in addition to the chairman and CEO as ex-officio. The purpose of the committee is to review and evaluate the corporate plans and to make any recommendations to the board in relation to those plans that the committee considers appropriate.

The 2011-12 Strategic Planning Committee consisted of Sharon Moore, chair, members Pauline Wood, Robert Lord, and Hector MacLeod and Brooke MacMillan as ex-officio.

Management Team of the PEI Liquor Control Commission
Standing from left: Lynn Duffy, Human Resources Manager;
Andrew MacMillan, Director of Marketing and Retail Operations (acting);
Carl J Adams, CA, Chief Financial Officer;
and David L. Stewart, Director of Purchasing and Distribution;
Seated from left: James C. MacLeod, Director of Corporate Services;
and Brooke MacMillan, Chief Executive Officer.

Organizational Chart



Executive Summary

The Prince Edward Island Liquor Control Commission (PEILCC) is a crown corporation responsible for the administration of the *Liquor Control Act* and Regulations, along with the purchase, control and sale of all beverage alcohol in the province.

A five-member Board of Commissioners is responsible for the commission's activities. The chairperson reports to the minister responsible for the PEI Liquor Control Commission.

The mandate under the *Liquor Control Act* has two primary components: regulatory and commercial.

The regulatory function responsibilities include licensing and inspecting licensed premises and special permit events, investigating and reporting on all licensee or special permit complaints and determining whether there were infractions of the *Liquor Control Act* and making recommendations to government on amendments to legislation.

On the commercial side, the commission continues to be a major force in the provincial economy with gross sales in excess of $95 million, making it one of the largest retail organizations on Prince Edward Island.

In terms of monetary transfers to the Provincial Treasury, this past fiscal year provided the largest transfer to date with more than $41.5 million forwarded to the Province.

The commission currently operates 19 retail outlets, as well as a central warehouse and Licensee Distribution Centre located in Charlottetown. The commission has contracted with private interests for the operation of an Agency Store in Morell, PEI.

A strategic plan is in place that guides the commission to success in meeting its performance and accountability goals.

The commission focuses on the following five key areas to measure performance:

1. Financial Performance,
2. Customer Service,
3. Business Effectiveness,
4. Public Safety and Social Responsibility, and
5. Workplace Quality and Employee Excellence.

These areas serve as a blueprint for incorporating the Mission Statement into day-to-day activities and establishing strategic goals, the details of which will be explained in further detail in this report.

Sommaire

La Régie des alcools de l'Île-du-Prince Édouard (R.A.Î.P.É.) est une société de la Couronne responsable de l'administration de la *Liquor Control Act* (loi sur le contrôle des alcools) et de ses règlements, ainsi que de l'achat, du contrôle et de la vente de toutes les boissons alcoolisées dans la province.

Un conseil de cinq commissaires est responsable des activités de la Régie. La présidence fait rapport au ministre responsable de la Régie des alcools de l'Île-du-Prince Édouard.

Le mandat relevant de la *Liquor Control Act* a deux composantes principales, une de réglementation et l'autre commerciale.

Les responsabilités réglementaires comprennent l'octroi des licences et l'inspection de les débits de boisson et des événements nécessitant des permis spéciaux, l'enquête et les rapports de plaintes portant sur les détenteurs de licences ou de permis spéciaux, la prise de décisions concernant les infractions à la *Liquor Control Act* et les recommandations au gouvernement au sujet de modifications à la loi.

Du côté commercial, la Régie continue d'être un levier important de l'économie de la province avec des ventes brutes dépassant les 95 millions de dollars, ce qui en fait un des plus importants organismes de vente au détail de l'Île-du-Prince Édouard.

En termes de transferts monétaires au Trésor provincial, l'Île a connu cette année fiscale le plus important transfert de son histoire, soit plus de 41,5 millions de dollars.

À l'heure actuelle, la Régie exploite 19 points de vente au détail ainsi qu'un entrepôt central et un centre de distribution pour les détenteurs de licences situé à Charlottetown. La Régie a passé un contrat avec le secteur privé pour les activités d'un magasin de franchise à Morell, Î.-P.-É.

Un plan stratégique est en place pour guider la Régie dans l'atteinte de ses objectifs de performance et d'imputabilité.

La Régie concentre ses efforts sur les cinq domaines principaux suivants afin de mesurer sa performance :

1. la performance financière;
2. le service à la clientèle;
3. l'efficacité des opérations;
4. la sécurité publique et la responsabilité sociale; et
5. la qualité du milieu de travail; l'excellence des employés.

Ces domaines servent de plan directeur à l'intégration de notre mission dans nos activités quotidiennes et à l'établissement de buts stratégiques, dont les détails sont présentés dans le présent rapport.

Operational Overview

2011-2012 Year in Review

The Prince Edward Island Liquor Control Commission's Strategic Plan continued to guide activities through fiscal 2011-2012. Progress on strategic objectives is supported by annual business plans that set priorities for actions to meet objectives and timelines for their completion. The following is an overview of the performance in each of the five strategic objectives.

Goal 1 Financial Performance

Goal
To maximize net income within the policy guidelines established by the provincial government.

Objectives
1. Achieve or exceed planned monetary transfer to the Provincial Government.
2. Achieve or exceed net income targets.
3. Increase traffic through liquor stores.

	Actual 2010-2011	Budget 2011-2012	Actual 2011-2012	% of 2011-2012 Budget	Budget 2012-2013
Gross Sales	$91,728,389	$96,946,597	$95,024,732	98.02%	$103,700,872
Gross Profit	27,282,610	30,907,711	29,098,214	94.15%	32,479,412
Operating Expenses	13,975,551	14,485,409	14,178,015	97.88%	13,824,607
Net Income	15,289,699	18,693,973	17,251,047	92.28%	20,912,723
Monetary Transfers	38,695,349	43,268,383	41,594,278	96.13%	47,478,589

*2011 figures have been restated to reflect IFRS (International Financial Reporting Standards).

The PEI Liquor Control Commission delivered both an increased net profit and an increased transfer to the provincial government in fiscal 2011-2012.

Gross sales were $95,024,732 for the fiscal year ended March 31, 2012, an increase of $3,296,343 over the previous year. This increase came as a result of new sales and marketing initiatives.

Net transfers for the year, including health and sales taxes, totaled $41,594,278, resulting in a $2,898,929 increase in the PEILCC's contribution to the province over the previous year. These figures have been restated further to the implementation of International Financial Reporting Standards (IFRS). The yearly transfer represents the best year ever by the commission in terms of contributions to the Provincial Treasury.

Performance Highlights

Figure A – Sources of Gross Revenue
Fiscal Year 2012

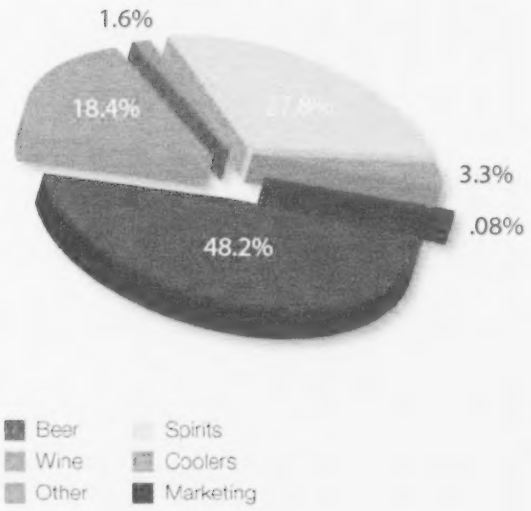
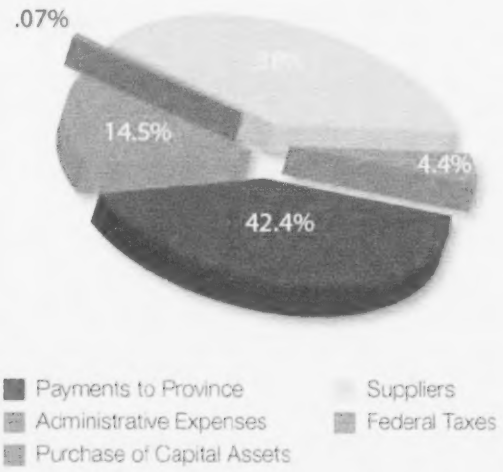


Figure B – Application of Gross Revenue
Fiscal Year 2012



The commission spent approximately $37.2 million on the purchase of beverage alcohol from both national and international sources. Gross margins increased by 0.7% due to one-time only marketing promotions. In 2011-2012, the commission maintained its customer base serving 2,857,403 people. This is mainly a result of increased in-store promotions and the continuation of Sunday openings.

Goal 2 Customer Service

Goal
To understand the needs of our customers so that we can provide quality products and services that are delivered by knowledgeable, courteous employees in attractive and accessible facilities.

Objectives
1. Enhance the shopping experience for PEILCC wholesale and retail customers.
2. Provide enhanced customer services.
3. Improve product portfolio.

	Actual 2010-2011	Target 2011-2012	Actual 2011-2012	% of 2011-2012 Target	Target 2011-2013
Customers served	2,857,486	2,857,486	2,857,403	99.99%	3,072,106
Average customer transaction value	$32.10	$33.93	$33.26	98.03%	$33.76

Volumes by Litres					
	Actual 2010-2011	Target 2011-2012	Actual 2011-2012	% of 2011-2012 Target	Target 2012-2013
Beer	9,227,416	9,121,304	8,792,292	96.39%	9,371,202
Draught	586,986	601,238	638,990	106.28%	689,278
Spirits	838,472	832,140	850,476	102.20%	909,317
Wine (including BYO)	1,262,200	1,252,181	1,302,494	104.02%	1,421,417
Coolers	422,930	424,013	392,059	92.46%	427,856
Total	**12,338,004**	**12,230,876**	**11,976,311**	**97.92%**	**12,819,070**

Performance Highlights

The PEI Liquor Control Commission built on the success of the previous year's record transfer to the province with a number of in-house programs aimed at producing similar results. New marketing program display opportunities were made available during the course of the year that resulted in sales volume increases for both the participating suppliers and the Commission.

Volume for packaged beer was down slightly reaching 8,792,292 litres, compared to 9,227,416 the previous year, a trend experienced by most jurisdictions in the country. Draught beer volumes were up slightly generating volume of 638,990 compared to 586,986 litres, in 2010-2011.

While unfavorable weather continued to be a negative factor experienced by the Beer category, single serve options as well as new product innovations such as flavors, alternate pack sizes and serving formats continued to drive new listings and interest in this category.

Although still popular, the Cooler category was also impacted by poor weather and the trend toward more ready-to-drink and premixed offerings.

The Spirit category realized volume growth again this year selling 850,476 litres in

2011-2012 compared to 838,472 litres for the previous year. This category experienced a trend toward premium products across all segments. While not providing a significant impact to the category overall, the Tequila, Bourbon and Irish Whiskey segments each showed very strong growth. In addition, Spiced Rum continued to drive the Rum segment in terms in volume and new offerings.

The Wine category displayed strong performance again in 2011-2012 selling a total of 1,302,494 litres, an increase of 40,294 litres over the previous year. New offerings continued to drive growth in both sales and volume in this category. The availability of one time offerings throughout the year has also been popular with customers. The PEILCC has expanded the Vines concept to include many PEILCC retail outlets displaying these products as a portion of each locations' shelf set.

A number of supplier supported campaigns ran throughout the course of the year including Summer Celebration which offered customers chances to win local prize packages; *Island Rivers – Worth Protecting* supported the efforts of the Atlantic Salmon Conservation Foundation and the annual holiday campaign offered $25 in coupons with the purchase of a $25 gift card. The latter campaign proved successful in increasing gift card sales by just over 69%.

For the convenience of customers, the PEILCC has developed and implemented a display strategy that has stores laid out in a similar fashion. This has helped to feature products and provide consistency among stores.

The PEI Liquor Control Commission is pleased to feature Island made products both on separate 'local' displays as well as on shelves with products of their respective category. The Island is home to nine local producers including Gahan Brewery, Honeydew Apiaries, Matos Winery, Matos Winery (Distillery), Myriad View Artisan Distillery, Newman Estates Winery, Prince Edward Distillery, Prince Edward Island Brewing Company and Rossignol Estate Winery.

The Charlottetown Civic Centre served as the venue for the 17th Prince Edward Island Liquor Control Commission's Festival of Wines. This event featured more than 200 wines, many of which are now included among the PEILCC's general listings. The 2011 festival included Italy as its feature region. Wines from this region were promoted throughout the PEILCC retail network leading up to the festival as well as on site during the event. The feature region concept continues provide profile not only to the region but also to the Festival of Wines as a whole.

The Commission also participated in other events during the year including the 3rd annual PEI Savour Food and Wine Show and the 4th annual Summerside Wine, Arts and Culinary event. Each of these events helped the Commission generate interest in the beer, spirits and wine categories.

A number of PEILCC retail employees have taken advanced training that provides them with an additional level of expertise when helping customers with product options. This training combined with other initiatives led by the Commission's Wine

Category Manager, have contributed to the development of the wine category as a whole. As a result, the PEILCC has been able to exceed its wine sales by volume during fiscal 2012.

The Commission continues to be instrumental in the production of *Occasions*, a quarterly publication featuring articles on items of local interest, as well as recipes that are intended for the enjoyment of PEILCC customers.

Goal 3 Business Effectiveness

Goal
To improve operating efficiencies and manage business practices in a climate of continuous change.

Objectives
1. Operate the business in the most effective and efficient manner possible.
2. Maximize the efficiency of the PEILCC liquor distribution operation.

	Actual 2010-2011	Target 2011-2012	Actual 2011-2012	% of 2011-2012 Target	Target 2012-2013
Distribution centre fill rate	87.43%	85%	83.4%	98.12%	85%
Distribution centre stock-out rate	6.47%	10%	2.79%	358.42%	9%
Warehouse inventory turns/day	62.44	80	81.59	101.98	80
Store inventory turns/day	31.45	35	31.04	88.69	34.00
Gross sales per square foot (Retail and Licensee)	$734.02	$775.78	$760.39	98.02%	$829.83

Performance Highlights

The commission set inventory turnover goals at the beginning of the fiscal year as part of its strategic plan. These turnover ratios were based on the year ended March 31, 2011 to measure inventory efficiencies.

The commission experienced an increase in days-in inventory at the warehouse level as the result of additional Stock Keeping Units (SKUs) being held in inventory, which are necessary to meet the needs of our customers. Store inventory turns remained constant from last year.

A new store ordering process assists to keep store inventories in check and to ensure better distribution and availability of inventory across the retail network. In addition, the central warehouse has been reconfigured. This optimized space allows for more SKUs and enables warehouse efficiency.

Warehouse stock-out reports continue to be utilized in order to better serve customers. These reports allow improved monitoring of inventory to ensure goods are available to be shipped from the warehouse to the store, therefore minimizing the number of stock-outs and increasing customer satisfaction.

Increased customer satisfaction and efficiencies can also be gauged by sales per square foot. The continued year over year positive trend in this measurement indicates fewer stock out situations and more products in market, therefore providing increased overall customer satisfaction.

Goal 4 Public Safety and Social Responsibility

Goal

In partnership with community groups and suppliers, the PEILCC will strive to raise public and staff awareness of the responsible use of beverage alcohol.

Objectives

1. Eliminate sales to minors and intoxicated people.
2. Continue to increase the awareness and promote public awareness of issues surrounding responsible use of beverage alcohol.
3. Increase, through partnerships, the effects of the responsible use of alcohol.

	Actual 2010-2011	Target 2011-2012	Actual 2011-2012	% of 2011-2012 Target	Target 2012-2013
% of licensees and permit holders in compliance with legislation, regulations and policies	93.7%	95%	91.1%	95.89%	95%
% of license and permit applications completed within established time frames*	100%	100%	100%	100%	100%
Shrinkage (% of gross sales)	0.04%	0.04%	0.03%	133.33%	0.04%
*Time frame – 7 days for permits, 21 days for licenses.					

Performance Highlights

The PEI Liquor Control Commission continues to promote the responsible use of alcohol. The commission strives to provide products that are socially responsible and incorporates responsible messaging into product promotions.

Ongoing responsible use initiatives include: Support Safe Grad Campaign, ID Training for PEILCC retail staff, Check 25 ID Program, HOST booklet and various responsible use messages during graduation, long weekends, Christmas and New Year's celebrations. Responsible Use messages were promoted throughout the year using local media and *Occasions* magazine.

MADD Canada's Multi-media School Assembly Program continued in 2011-12 with presentations of Damages and Dommages being viewed by students in 9 high schools across the Island. Print media was used by the PEILCC to continued its support of MADD Canada's campaign 911, which was launched across the province in 2010. The commission continues to participate on a number of committees promoting responsible use including the Provincial Impaired Driving Committee, Provincial Youth Substance Abuse and Addictions Committee and the Canadian Liquor Jurisdictions Social Responsibility Committee.

Charities on Prince Edward Island benefited from ongoing fundraising initiatives supported by the commission throughout the year. The 3rd annual PEILCC Golf Classic raised over $13,000, benefitting KidSport PEI and the Easter Seals Society of PEI. The 4th annual wine cooler raffle raised over $17,000 for the PEI Association of Food Banks, a new beneficiary.

PEI Association of Food Banks cheque presentation

New fundraising campaigns were also successful in generating funds this past fiscal year. An at-cash campaign benefitting the PEI Region of the Canadian Red Cross, was successful in providing over $49,000 in its first year, to support community programs and relief to Islanders in the time of need.

Red Cross cheque presentation

The PEILCC also entered the first year of a five year agreement with the Atlantic Salmon Conservation Foundation (ASCF), and over $13,000 was collected through this supplier supported campaign. These funds represent a portion of sales from 18 products and which were donated to the ASCF to assist with projects that help protect and rejuvenate rivers across the province.

Atlantic Salmon Conservation Foundation cheque presentation

The Heart and Stroke Foundation's Paper Hearts campaign was the third new initiative and was successful in raising over $5,000. The Foundation will use these funds to continue the advancement of research, promotion of healthy living and advocacy.

Heart and Stroke Foundation cheque presentation

The PEILCC actively supports various groups and causes through coin box collections in all retail outlets. Groups benefitting from this activity included CAT Action Team, Cerebral Association of PEI, Cystic Fibrosis Canada, Crohn's and Colitis Foundation of Canada, IWK Health Centre, MADD Canada, Maritime Greyhound Adoption Program, MS Society, PEI Humane Society, PEI Lung Association, PEI Muscular Dystrophy Association, and SpayAid PEI.

During the fiscal year, the commission continued its commitment to social responsibility in the areas of alcohol service and community support. The PEILCC partnered with a number of outside agencies in shared activities including:

- Participation as an active member of the Canadian Association of Liquor Jurisdictions (CALJ) Social Responsibility Committee.
- Affiliation with the Canadian Culinary Institute, to provide the mandatory server program It's Our Business, an awareness program for staff of licensed premises.
- Raising monies for ALS Society of PEI, Canadian Diabetes Association, Easter Seals Society of PEI, IWK Health Centre Foundation, Parkinson Society, Prince County Hospital Foundation, QEH Foundation and United Way through staff dress-down days and other staff events raising a total of $9,812.
- Generating over $3,600 in support of the Hospice Palliative Care Association of PEI through proceeds from the silent auction, held during the 17th annual Festival of Wines.

Optimal compliance to the *Liquor Control Act*, Regulations and Policies is a primary objective of the commission. Retail staff are required to check and verify the age of customers and refuse minors or intoxicated persons. In 2011-2012, store staff checked 79,163 people suspected of being underage, intoxicated or with no ID and refused service to 2,687. Liquor inspectors performed 5,707 compliance inspections and 16,830 ID checks in licensed premises.

After evaluating all stores in relation to established criteria, the staff of the Souris store was awarded the Annual CEO's Award of Merit for Loss Prevention for fiscal 2011-2012.

Paul Deveau (left), Manager of the Souris Liquor Store accepts the CEO's Award for Merit for Loss Prevention on behalf of the store staff from Brooke MacMillan, CEO.

Goal 5 Workplace Quality and Employee Excellence

Goal
Build a customer-focused, high-performance work environment that results in greater employee involvement, development, innovation and creativity.

Objectives
1. Enhance staff skills through employee training programs.
2. Continue to develop a customer-focused workplace.
3. Provide a safe, healthy and harassment-free workplace.

	Actual 2010-2011	Target 2011-2012	Actual 2011-2012	% of 2011-2012 Target	Target 2012-2013
Workplace quality training	168	140	68	48.57%	125
Product knowledge	177	156	100	64.10%	156
Staff development (professional and personal)	80	55	184	334.55%	125

Performance Highlights

Training is offered to PEI Liquor Control Commission employees on an on-going basis. The Product Knowledge Course, offered in conjunction with the Liquor Control Board of Ontario (LCBO) is available to all staff. Staff continue to participate in this course in order to expand their product knowledge.

In addition to the LCBO program, ten PEILCC employees have enrolled in a new wine appreciation and knowledge course offered by the Category Manager of Wine. This intensive program is aimed at ensuring knowledgeable staff are available in PEILCC stores to assist customers when selecting wines and to provide suggestions for food and wine pairing.

PEILCC staff benefit from product seminars throughout the year. These sessions have included industry led seminars as well as opportunities to visit local producers in order to learn firsthand how products are made.

The PEILCC is very conscious of the need for safety awareness in the workplace, not only for employees but also for customers. It is for this reason that First Aid and CPR training is made available to all staff on an annual basis. In the future, more emphasis will be placed in this area with regard to seasonal employees who are hired during the peak summer season and experience a high concentration of customer traffic.

Occupational Health and Safety (OH&S) plays an important role in the PEILCC's day to day operations. The PEILCC ensures that OH&S representatives receive updated training on their responsibilities, including courses that ensure safe workplaces for both employees and customers.

Identification verification seminars were offered for and attended by a cross-section of retail staff. These presentations provided the opportunity for staff to increase their skills in the recognition of altered identification.

Ceridian Canada Ltd. continues to provide professional development training opportunities including programs around performance management and negotiating chance. PEILCC staff continue to also pursue courses offered by universities and other post secondary institutions.

Those employees who are interested in advancing to management roles have been actively involved in business management training during recent years. The province's Development and Training Fund continues to provide assistance to employees as they pursue advanced training opportunities.

Challenges and Opportunities Ahead

The Prince Edward Island Liquor Control Commission continues to identify opportunities and challenges, as well as to meet the expectations of an increasingly diverse and discerning customer base. Store renovations and a new merchandising strategy have improved the way in which products are displayed as well as the customer experience.

On-going investment and planning is required to meet customers' needs and keep standards moving forward. In addition, continued investment in human resources and financial resources are also necessary to fulfill the 2010-2013 strategic plan.

Capital planning is required to provide for future needs. The commission has increased its monetary transfer goal to over $47 million for the 2012-2013 fiscal year to ensure these investments can be made.

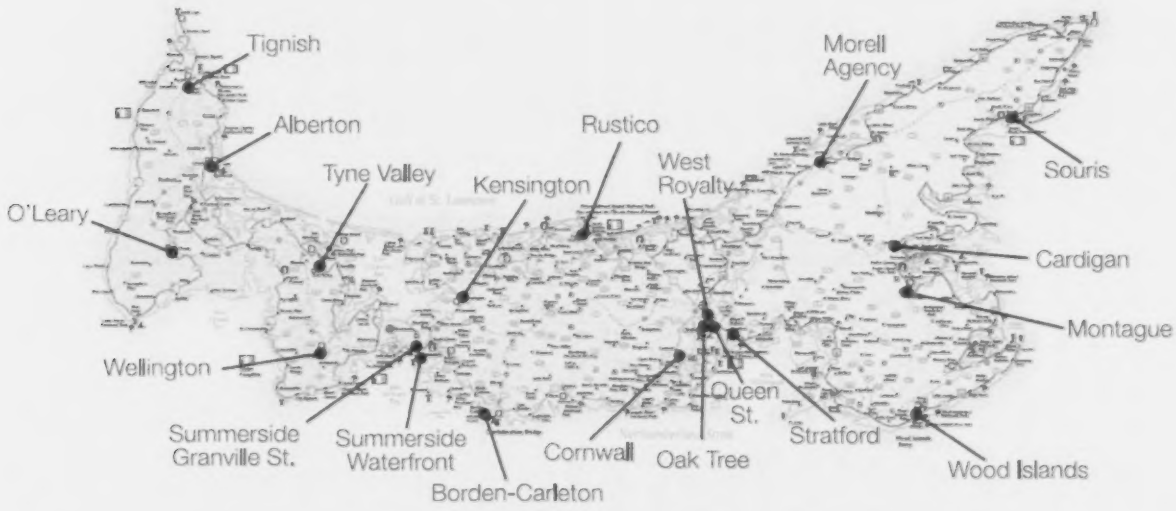
Managing human resources continues to be a key challenge for the PEILCC. It constantly reviews resource needs and training opportunities to meet changing retail and technology requirements.

A disciplined category management approach, working in co-ordination with the supply chain, has provided a more efficient system to get products from the commission's international supply chain onto its store shelves. The PEILCC continues to investigate new opportunities for products and their distribution to meet customer demand.

The commission's commitment to social responsibility presents ongoing opportunities to communicate and reinforce the message of responsible use and public safety to a wide range of audiences.

Underlying all of these challenges and opportunities is the vision of excellence in management. Being prepared to capitalize on new opportunities in the marketplace and continuing to integrate and streamline operations is key. The PEILCC is confident that it is building an organization which is internally more efficient and will continue to be publicly accountable.

Prince Edward Island Liquor Control Commission
Retail Liquor Outlets



Location	Manager
Alberton	Rhonda Arsenault
Borden-Carleton	Peggie Corney
Cardigan	David Whalen*
Cornwall	Cindy Judson
Kensington	Cecil Mills*
Montague	Anita O'Connor
Morell Agency	Mary Jane Webster
North Rustico	Wayne MacDonald*
Oak Tree	William MacMillan
O'Leary	Karen MacDonald
Queen Street	Ernie Fitzpatrick
Souris	Paul Deveau
Stratford	Linda Somers*
Summerside – Granville Street	Miles Worth
Summerside – Waterfront Mall	Terry Lynn MacKenzie
Tignish	Sandra Hawley
Tyne Valley	Clarence Richard
Wellington	Clarence Richard
West Royalty	Alan Crane
Wood Islands	Anita O'Connor

*acting assignment

Statistics

Retail Gross Sales by Store

Retail Store	Year Ended March 31, 2012	Year Ended March 31, 2011	Increase (Decrease)
Alberton	1,558,512	1,487,718	70,794
Borden/Carleton	1,730,552	1,733,681	(3,129)
Cardigan	1,882,392	2,174,719	(292,327)
Charlottetown - Oak Tree Place	16,105,858	15,282,859	822,999
Charlottetown - Queen Street	3,622,148	3,314,779	307,369
Cornwall	5,380,445	5,158,811	221,634
Kensington	3,277,615	3,585,102	(307,487)
Licensee Distribution Centre	9,717,871	6,996,205	2,721,666
Montague	5,126,821	4,774,742	352,079
North Rustico	3,406,681	3,505,568	(98,887)
O'Leary	1,724,660	1,711,542	13,118
Souris	2,660,632	2,659,022	1,610
Stratford	8,277,064	7,904,987	372,077
Summerside - Granville Street	7,813,642	7,698,950	114,692
Summerside - Waterfront	4,848,887	5,489,633	(640,746)
Tignish	2,423,028	2,358,510	64,518
Tyne Valley	1,053,635	1,029,668	23,967
Warehouse	655,872	584,747	71,125
Wellington	1,287,532	1,247,380	40,152
West Royalty	12,035,762	12,529,131	(493,369)
Wood Islands	435,123	500,635	(65,512)
Total	**$95,024,732**	**$91,728,389**	**$3,296,343**

Statistics

Summary of Profit and Expense Ratios
Two-year Comparison

(in 000s)

	2012	2011
Gross Sales	$95,024	$91,728
Gross Profit	29,098	27,283
Net Profit	17,251	15,304
General and Administrative Expenses	14,178	13,961
Gross Profit as a Percentage of Gross Sales	30.6%	29.7%
Net Profit as a Percentage of Gross Sales	18.2%	16.7%
General and Administrative Expenses as a Percentage of Gross Sales	14.9%	15.2%

Table A – Spirit Sales Volumes (litres) by Product Type

	2012	2011
Rum	278,924	278,337
Vodka	221,137	219,248
Whiskey	155,832	154,293
Premix	82,001	70,325
Liqueurs	58,966	62,071
Scotch	21,008	21,750
Gin	17,862	18,114
Tequila	4,732	4,589
Bourbon	4,908	4,420
Brandy	4,008	4,279
Miscellaneous	1,098	1,136
Total	**850,476**	**838,472**

Table B – Wine Sales Volumes (litres) by Product Type

	2012	2011
White	647,419	632,459
Red	552,636	536,203
Fruit	40,345	29,518
Sherry	14,765	17,217
Rose	18,218	16,715
Cider	12,202	10,590
Port	4,506	4,491
Dessert	377	3,646
Vermouth	2,553	2,536
Miscellaneous	9,473	8,825
Total	**1,302,494**	**1,262,200**

Table C – Beer Sales Volumes (litres) by Product Type

	2012	2011
Packaged	8,792,292	9,227,416
Draught	638,990	586,986
Total	**9,431,282**	**9,814,402**

Table D – Cooler Sales Volumes (litres) by Product Type

	2012	2011
Spirit Coolers	382,562	405,220
Wine Coolers	9,497	17,710
Total	**392,059**	**422,930**

Table E – 2011 Public versus Licensee Gross Sales by Category

	2012			2011		
	Public	Licensee	Total	Public	Licensee	Total
Beer	$37,728,276	$ 8,626,013	$46,354,289	$ 36,776,974	$9,048,974	$45,825,948
Spirits	24,426,405	2,707,550	27,133,955	23,459,310	2,669,458	26,128,768
Wine	15,329,402	2,520,076	17,849,478	14,034,022	2,367,189	16,401,211
Coolers	2,600,829	507,553	3,108,382	2,780,291	575,139	3,355,430
Total	**$ 80,084,912**	**$14,361,192**	**$ 94,446,104**	**$77,050,597**	**$14,660,760**	**$91,711,357**

Table F – 2011 Public versus Licensee Sales Volumes (litres) by Category

	2012			2011		
	Public	Licensee	Total	Public	Licensee	Total
Beer	7,471,563	1,959,719	9,431,282	7,833,549	1,980,853	9,814,402
Spirits	762,102	88,374	850,476	745,687	92,785	838,472
Wine	1,117,032	185,462	1,302,494	1,068,216	193,984	1,262,200
Coolers	329,272	62,786	392,059	352,221	70,709	422,930
Total	**9,679,969**	**2,296,342**	**11,976,311**	**9,999,673**	**2,338,331**	**12,338,004**

Statistics

Total Licenses and Special Permits
March 31, 2011 and March 31, 2012

License Type	Year Ended March 31, 2012	Year Ended March 31, 2011
Dining Room	179	177
Lounge	84	85
Club	54	57
Military Canteen	20	20
Special Premise	74	72
Caterer	28	29
Agency Store	1	1
Winery	4	2
Micro-Brewery	1	1
Tourist Home	6	6
Distillery	2	2
Brew Pub	1	1
Ferment on Premises	5	4
Total Licenses in Effect	**459**	**457**

44 new licenses were issued and 42 licenses were either not renewed or surrendered.

Special Permits Issued	Year Ended March 31, 2012	Year Ended March 31, 2011
Class I	135	146
Class II	300	257
Total	**435**	**403**

A Class I permit entitles host to give beverages to guests.
A Class II permit entitles host to sell beverages to guests.

Management's Report

Mr. Hector MacLeod, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. MacLeod:

The preparation of financial information is an integral part of management's responsibilities and the accompanying financial statements are the responsibility of the management of the commission. This responsibility includes the selection of appropriate accounting policies and making judgments and estimates consistent with International Financial Reporting Standards.

The commission maintains an accounting system and related controls to provide management and the commission with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with International Financial Reporting Standards. This is the first year of reporting under the new requirements.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Brooke MacMillan
Chief Executive Officer

Carl J. Adams, CA
Chief Financial Officer

Appendix

Auditor's Report and Audited Financial Statements

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND

LIQUOR CONTROL COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2012

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Prince Edward Island Liquor Control Commission

I have audited the accompanying financial statements of the **Prince Edward Island Liquor Control Commission** which comprise the statement of financial position as at April 1, 2010, March 31, 2011, and 2012, and the statement of comprehensive income and changes in retained earnings, and the statement of cash flow for the 2011 and 2012 years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted the audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at April 1, 2010, March 31, 2011, and 2012, and the results of its operations and changes in cash flow for the 2011 and 2012 years then ended in accordance with International Financial Reporting Standards.

B. Jane MacAdam

B. Jane MacAdam, CA
Acting Auditor General

Charlottetown, Prince Edward Island
October 22, 2012

PRINCE EDWARD ISLAND

LIQUOR CONTROL COMMISSION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

	2012 $	2011 $	April 1, 2010 $
Assets			
Current Assets			
Cash (Note 10)	1,519,208	622,595	979,252
Accounts receivable (Notes 5, 10)	931,096	912,253	710,744
Inventory (Note 6)	5,998,560	5,586,541	4,213,569
Prepaid expenses	117,129	110,815	94,562
	8,565,993	7,232,204	5,998,127
Non Current Assets			
Property, plant, and equipment (Note 7)	5,288,051	5,292,488	4,999,843
Total Assets	13,854,044	12,524,692	10,997,970
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities (Notes 8, 10)	1,950,118	2,241,068	1,196,298
Due to the Province of Prince Edward Island (Note 10)	9,387,665	6,867,319	6,232,372
Deferred revenue	84,418	72,472	58,061
Current portion of debentures payable (Notes 9, 10)	677,518	911,990	862,406
	12,099,719	10,092,849	8,349,137
Non Current Liabilities			
Debentures payable (Notes 9, 10)	1,754,325	2,431,843	2,648,833
Total Liabilities	13,854,044	12,524,692	10,997,970

(The accompanying notes are an integral part of these financial statements.)

Authorized on Behalf of the Commission:

Commissioner

Commissioner

PRINCE EDWARD ISLAND

LIQUOR CONTROL COMMISSION

STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2012

	2012 $	2011 $
Revenue		
Sales (Note 13)	66,380,637	64,145,491
Cost of goods sold (Note 6)	37,282,423	36,862,881
Gross profit	29,098,214	27,282,610
Expenses		
Amortization	830,156	800,944
Insurance and taxes (Note 15)	166,933	173,202
Interest on long-term debt (Notes 9, 15)	150,101	185,456
Leases (Note 12)	781,178	759,001
Other operating expenses	874,176	842,465
Repairs and maintenance	627,022	719,502
Salaries and benefits (Notes 14, 15)	9,335,246	9,112,835
Store and office expenses	487,352	440,848
Travel	151,127	129,852
Utilities	774,724	811,446
	14,178,015	13,975,551
Income from operations	14,920,199	13,307,059
Other income	2,180,893	1,982,640
Gain on exchange of non current assets (Note 15)	149,955	-
Comprehensive income (Note 16)	17,251,047	15,289,699
Retained earnings, beginning of year	-	-
Distributions to the Province of Prince Edward Island (Note 3(h))	17,251,047	15,289,699
Retained earnings, end of year	-	-

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND

LIQUOR CONTROL COMMISSION

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED MARCH 31, 2012

	2012 $	2011 $
Cash provided (used) by:		
Operating Activities		
Comprehensive income for the year	17,251,047	15,289,699
Loss on exchange of assets	(149,955)	-
Amortization	830,156	800,944
	17,931,248	16,090,643
Change in working capital:		
Accounts receivable	(18,843)	(201,509)
Inventories	(412,019)	(1,372,972)
Prepaid expenses	(6,314)	(16,253)
Accounts payable	(290,950)	1,044,770
Deferred revenue	11,946	14,412
Cash provided by operating activities	17,215,068	15,559,091
Financing Activities		
Payments to the Province of Prince Edward Island	(14,730,702)	(14,654,753)
Loans from the Province of Prince Edward Island	-	695,000
Debenture repayments	(911,990)	(862,405)
Cash used by financing activities	(15,642,692)	(14,822,158)
Investing Activities		
Acquisition of property, plant, and equipment	(675,763)	(1,093,590)
Change in cash	896,613	(356,657)
Cash, beginning of year	622,595	979,252
Cash, end of year	1,519,208	622,595
Supplementary disclosure Interest paid	163,529	181,951

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND

LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

1. General Information and Nature of Operations

The Prince Edward Island Liquor Control Commission (the Commission) is a wholly owned Crown corporation of the Province of Prince Edward Island responsible for managing the importation, sale, and distribution of beverage alcohol throughout Prince Edward Island. The head office is located at 3 Garfield Street in Charlottetown with outlets in various locations across the province.

2. Statement of Compliance and Approval

The financial statements of the Commission have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (see Note 16 for additional information on the transition to IFRS).

These financial statements were authorized for issuance by the Board of Commissioners on October 17, 2012.

3. Summary of Significant Accounting Policies

a) First-time Adoption of International Financial Reporting Standards (IFRS)

The financial statements have been prepared using the accounting policies specified by IFRS, issued and in effect as of March 31, 2012. The significant accounting policies used in the preparation of these financial statements are summarized below.

These accounting policies have been used throughout all of the periods presented except where the Commission has applied certain policies and exemptions as allowed by IFRS upon the transition (see Note 16).

An overview of the standards, amendments, and interpretations on the conversion to IFRS that are issued but not yet in effect are presented in Note 3(g).

b) Presentation of the Financial Statements

The financial statements are presented in accordance with International Accounting Standard 1 (IAS 1), "*Presentation of Financial Statements*." The Commission has elected to present a single statement of comprehensive income. The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the functional currency of the Commission.

c) Revenue Recognition

Revenue is derived from the sale of goods and other income from the rendering of services. Reconciliation between gross receipts and revenue is shown in Note 13.

3. **Summary of Significant Accounting Policies (continued...)**

c) Revenue Recognition (continued...)

Revenue is measured by reference to the fair value of the consideration received or receivable by the Commission for the goods or services supplied, exclusive of sales tax, deposits, health tax, rebates, and trade discounts.

Sales

Revenue from the sale of goods is recognized when the amount of revenue can be reliably measured, collection is probable, the costs incurred or to be incurred can be reliably measured, and when significant risks and rewards of ownership have been transferred to the buyer.

Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken legal title and possession of the goods and contractual obligations have been met.

Other Income

Other income includes permit and license fees, marketing fees, and limited time offer promotions. Revenue from other income is recognized when the amount of revenue can be reliably measured, it is probable that economic benefits will flow to the Commission, the stage of completion can be reliably measured, and the costs incurred to date and the costs required to complete the transaction can be reliably measured.

Deferred Revenue

The Commission sells gift cards to its customers and initially records the amount to deferred revenue. Revenue is recognized as the gift cards are redeemed. If, in the opinion of management, the likelihood of the gift card being redeemed is remote then the revenue will be recognized immediately.

d) Expenses

Expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the expense occurred.

e) Inventory

Inventories are valued at the lower of cost or net realizable value on a first-in, first-out basis. Inventory costs include the purchase price, duty and excise taxes, and standard freight rates.

3. **Summary of Significant Accounting Policies (continued...)**

f) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated amortization. All capital asset additions over $1,000 are capitalized. Amortization is calculated on a straight line basis at the following rates:

Asset	Rate
Buildings	5%
Equipment	20%
Vehicles	30%
Leasehold Improvements	5% and 10%
Financial Information System	20% and 100%

In the year of acquisition, one half of the yearly amortization rate is applied.

g) International Financial Reporting Standards Not Yet In Effect

At the date of issuance of these statements certain new standards, amendments, and interpretations to existing standards have been published but are not yet in effect. The Commission has chosen not to adopt these early, as allowed by IFRS. Management anticipates that all relevant pronouncements will be adopted as the Commission's policy in the first period following the effective date. A list of applicable pronouncements and their effective dates are as follows:

IFRS 1 *First Time Adoption of IFRS - Government Loans (Amendments to IFRS 1)* with an effective date of the first fiscal period beginning on or after January 1, 2013.

IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* with an effective date of the first fiscal period beginning on or after January 1, 2013.

IFRS 9 *Financial Instruments* with an effective date of the first fiscal period beginning on or after January 1, 2015.

IFRS 13 *Fair Value Measurement* with an effective date of the first fiscal period beginning on or after January 1, 2013.

IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)* with an effective date of the first fiscal period beginning on or after July 1, 2012.

IAS 19 *Employee Benefits* with an effective date of the first fiscal period beginning on or after January 1, 2013.

3. **Summary of Significant Accounting Policies (continued...)**

g) International Financial Reporting Standards Not Yet In Effect (continued...)

The estimated impact of the above pronouncements on the financial statements is unknown at this time.

h) Capital Management

The Commission's objective when managing capital is to keep minimal capital on hand. This objective is achieved by accruing all comprehensive income to the Province and transferring it on a continuous basis as excess capital becomes available.

i) Cash

Cash consists of cash on hand and amounts on deposit with financial institutions.

4. **Significant Accounting Judgements and Estimates**

The preparation of financial statements requires management to make estimates, judgements, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. The actual results may differ from management's estimation. Items requiring the use of significant estimates include property, plant, and equipment carried at $5,288,051 (2011 - $5,292,488), accrued liabilities of $325,945 (2011 - $305,523) and standard inventory freight rates of $179,957 (2011 - $167,596).

5. **Accounts Receivable**

	2012 $	2011 $
Trade receivables	856,996	835,262
Province of Prince Edward Island	74,100	76,991
	931,096	912,253

All amounts in the accounts receivable balance are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The receivable due from the Province of Prince Edward Island relates to a wage reimbursement for one employee on secondment to the Commission. The carrying amount of the receivable is considered a reasonable approximation of fair value as this financial asset is expected to be paid within the year, such that the time value of money is not significant.

5. Accounts Receivable (continued...)

All of the Commission's trade and other receivables have been reviewed for indications of impairment. It is management's assessment that all amounts are collectable and none are impaired.

6. Inventories

Inventories recognized in the statement of financial position consist of liquor products held for sale. In 2012, a total of $37,282,423 of inventories was included in the statement of comprehensive income as a cost of goods sold (2011 - $36,862,881).

There were no write-downs of inventories. No reversals of previous write-downs were recognized as a reduction of expense in 2012 or 2011. None of the inventories are pledged as security for liabilities.

7. Property, Plant, and Equipment

The Commission's property, plant, and equipment is comprised of land, buildings, equipment, vehicles, leasehold improvements, and financial information system. The Commission has elected not to revalue its property, plant, and equipment as allowed under IFRS as the benefit to the users of the statements is not material. The carrying amounts can be analysed as follows for the current fiscal year:

	Land	Buildings	Equipment	Vehicles	Leasehold Improvements	Financial Information System	Total
	$	$	$	$	$	$	$
Cost							
Balance, April 1, 2011	85,537	5,677,810	2,065,352	100,850	5,681,585	3,058,402	16,669,536
Additions	-	244,634	304,643	15,937	73,108	203,075	841,397
Disposals	15,678	-	-	-	-	-	15,678
Balance, March 31, 2012	69,859	5,922,444	2,369,995	116,787	5,754,693	3,261,477	17,495,255
Accumulated Depreciation							
Balance, April 1, 2011	-	3,634,049	1,688,859	100,850	3,546,915	2,406,375	11,377,048
Depreciation	-	154,067	158,953	2,391	272,642	242,103	830,156
Balance, March 31, 2012	-	3,788,116	1,847,812	103,241	3,819,557	2,648,478	12,207,204
Net Book Value, March 31, 2012	69,859	2,134,328	522,183	13,546	1,935,136	612,999	5,288,051

The Commission has not pledged any of its property, plant, and equipment as security.

7. Property, Plant, and Equipment (continued...)

The carrying amounts can be analysed as follows for the previous fiscal year:

	Land	Buildings	Equipment	Vehicles	Leasehold Improvements	Financial Information System	Total
	$	$	$	$	$	$	$
Cost							
Balance, April 1, 2010	85,537	5,597,558	1,839,910	100,850	5,037,913	2,914,179	15,575,947
Additions	-	80,252	225,442	-	643,672	144,223	1,093,589
Balance, March 31, 2011	85,537	5,677,810	2,065,352	100,850	5,681,585	3,058,402	16,669,536
Accumulated Depreciation							
Balance, April 1, 2010	-	3,483,967	1,556,591	100,850	3,236,872	2,197,824	10,576,104
Depreciation	-	150,082	132,268	-	310,043	208,551	800,944
Balance, March 31, 2011	-	3,634,049	1,688,859	100,850	3,546,915	2,406,375	11,377,048
Net Book Value, March 31, 2011	85,537	2,043,761	376,493	-	2,134,670	652,027	5,292,488

8. Accounts Payable and Accrued Liabilities

	2012	2011
	$	$
Trade payables	1,791,366	1,928,707
Province of Prince Edward Island	158,752	312,361
	1,950,118	2,241,068

9. Debentures Payable

	2012	2011
	$	$
Summerside (Waterfront), repayable in equal annual installments of $88,042 including interest, 6.77%, matured July 18, 2011.	-	82,460
Financial Information System, repayable in equal annual installments of $195,599 including interest, 6.57%, matured March 28, 2012.	-	183,539
Wood Islands, repayable in equal annual installments of $33,052 including interest, 5.85%, matures November 27, 2012.	31,225	60,724

9. **Debentures Payable (continued...)**

	2012 $	2011 $
Point of Sale System, repayable in equal annual installments of $221,583 including interest, 4.62%, matures December 18, 2012.	211,798	414,244
Charlottetown (Queen Street), repayable in equal annual installments of $60,016 including interest, 5.61%, matures August 1, 2013.	110,638	161,588
Tignish, repayable in equal annual installments of $99,684 including interest, 5.40%, matures January 9, 2014.	184,309	269,443
Charlottetown (Head Office), repayable in equal annual installments of $38,889 including interest, 5.02%, matures March 7, 2015.	105,864	137,834
Sherbrooke, repayable in equal annual installments of $38,493 including interest, 4.81%, matures February 28, 2016.	137,102	167,537
West Royalty, repayable in equal annual installments of $64,156 including interest, 4.81%, matures August 30, 2016.	279,228	327,626
Souris, repayable in equal annual installments of $101,660 including interest, 4.74%, matures March 30, 2017.	443,317	520,314
Charlottetown (Oak Tree), repayable in equal annual installments of $16,409 including interest, 5.28%, matures June 27, 2017.	82,546	93,992
Charlottetown (Head Office and Warehouse), repayable in equal annual installments of $31,393 including interest, 4.37%, matures January 20, 2020.	208,169	229,532
Stratford, repayable in equal annual installments of $86,542 including interest, 4.20%, matures September 13, 2020.	637,647	695,000
Total	2,431,843	3,343,833
Less current portion	677,518	911,990
Long-term portion	1,754,325	2,431,843

Principal repayments for the next five years are as follows:

Fiscal Year	Amount $
2013	677,518
2014	455,962
2015	318,798
2016	294,819
2017	269,983
Thereafter	414,763
	2,431,843

10. Financial Instruments

Financial Assets

The Commission's financial assets include cash and accounts receivable. Cash has been classified as fair value through profit and loss (FVPL) and receivables have been classified as loans and receivables.

Cash is designated as held for trading and it is measured at fair value. Any gains or losses from this measurement are recognized through profit or loss.

Loans and receivables are financial assets with a fixed or determinate payment that are not quoted on an active market. These are measured at amortized cost using the effective interest rate method less a provision for any impairment. Discounting has been omitted as any effect on the carrying balance is not significant.

Financial Liabilities

The Commission's financial liabilities consist of accounts payable, accrued liabilities, amounts due to the Province of Prince Edward Island, and debentures payable. These liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

Fair Value

Financial assets and liabilities are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods is based on classification as held-for-trading, loans and receivables, and other financial liabilities.

Financial assets and liabilities recorded in the statement of financial position at fair market value are categorized based on the fair value hierarchy of inputs. The Level 1 hierarchy is unadjusted quoted prices in active markets for identical assets and liabilities. This level of inputs is used to measure fair value of cash.

Fair values for accounts receivable, accounts payable, accrued liabilities, and amounts due to the Province of Prince Edward Island approximate their carrying amounts due to their short-term nature.

The fair value of debentures payable is not materially different from its carrying value as there has not been a significant fluctuation in interest rates.

10. **Financial Instruments (continued...)**

Transaction Costs

Transaction costs for fair value through profit or loss instruments are recognized as profit or loss immediately while transaction costs for other financial instruments form part of the original value of the financial instrument.

De-recognition

De-recognition of a financial instrument occurs when the contractual rights to the cash flow generated by the asset expire, when the financial asset and substantially all of the risks and rewards are transferred to a third party, or when the obligation in the contract is discharged, cancelled, or expires.

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities:

	2012 $	2011 $
Financial Assets		
Financial assets at fair value through profit or loss, designated as held for trading		
Cash	1,519,208	622,595
Loans and receivables		
Accounts receivable (Note 5)	931,096	912,253
	2,450,304	1,534,848

	2012 $	2011 $
Financial Liabilities		
Financial liabilities measured at amortized cost		
Non current		
Debentures payable (Note 9)	1,754,325	2,431,843
Current		
Due to the Province of Prince Edward Island	9,387,665	6,867,319
Accounts payable and accrued liabilities	1,950,118	2,241,068
Current portion of debentures payable (Note 9)	677,518	911,990
	13,769,626	12,452,220

A description of the Commission's risk management objectives and policies for financial instruments is included in Note 11.

11. Financial Risk Management

The Commission is exposed to various risks in relation to financial instruments. The Commission's financial assets and liabilities by category are summarized in Note 10. The main types of risks are market, credit, and liquidity risk.

Market Risk

Market risk consists of three types: currency risk, interest rate risk, and price risk. The Commission's market risk management focuses on the unpredictability of financial and economic markets and seeks to minimize potential effects on the Commission's financial performance. In common with many organizations that purchase in foreign currencies, the Commission may be exposed to a marginal degree of currency risk. Management has mitigated the exposure to this risk by limiting the number of purchase transactions originating in foreign currency.

The Commission's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowing is at fixed rates.

Credit Risk

Credit risk is the risk the Commission will incur a loss because a customer fails to meet an obligation. The Commission is exposed to this risk for financial instruments classified as loans and receivables by granting credit to customers. The Commission's maximum exposure to credit risk is limited to the carrying amount of loans and receivables recognized at the reporting date as summarized below:

	2012 $	2011 $
Loans and receivables	931,096	912,253

The Commission has mitigated its exposure to this risk through the limited extension of credit and its contractual relationships with its business partners. The Commission's management considers all of the above loans and receivables to be unimpaired for each of the reporting dates and are of good credit quality.

11. Financial Risk Management (continued...)

Some of the unimpaired trade receivables are past due as at the reporting date. Trade receivables past due but unimpaired are as follows:

	2012 $	2011 $
Less than 30 days	396,677	622,038
30 - 60 days	29,103	201,799
60 - 90 days	185,019	35,570
90 days - 1 year	284,482	45,657
More than 1 year	35,815	7,189
	931,096	912,253

With respect to trade and other receivables, the Commission is not exposed to any significant credit risk exposure to any single supplier or country of origin. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management considers the credit quality of trade receivables not impaired to be good.

Liquidity Risk

Liquidity risk is the risk that the Commission would be unable to meet its obligations. The Commission manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash inflows and outflows due in day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30 day outlook. Net cash requirements are compared to available borrowing facilities in order to determine any surplus or shortfall.

The Commission's objective is to maintain cash and marketable securities to meet its liquidity requirements for a minimum 30 day period. This objective was met for the reporting period. Funding for long-term liquidity needs are secured by adequate amounts of committed credit facilities. The Commission's existing cash resources, trade receivables, and cash generated from operations significantly exceed the current cash outflow requirements.

11. Financial Risk Management (continued...)

The Commission's contractual financial liabilities as at March 31, 2012, mature as follows:

	Current		Non Current	
	Within 6 months	6 to 12 Months	1 to 5 Years	After 5 Years
	$	$	$	$
Accounts payable and accrued liabilities	1,950,118			
Due to the Province	9,387,665			
Debentures	176,346	501,172	1,339,563	414,762
	11,514,129	501,172	1,339,563	414,762

The Commission's contractual financial liabilities as at March 31, 2011, mature as follows:

	Current		Non Current	
	Within 6 months	6 to 12 Months	1 to 5 Years	After 5 Years
	$	$	$	$
Accounts payable and accrued liabilities	2,241,068			
Due to the Province	6,867,319			
Debentures	250,607	661,383	1,747,097	684,746
	9,358,994	661,383	1,747,097	684,746

12. Operating Leases and Commitments

Operating Leases

The Commission leases various pieces of computer hardware and software as well as thirteen retail outlets. The following are the Commission's minimum lease payments:

	Within 1 Year	1 to 5 Years	After 5 Years	Total
	$	$	$	$
March 31, 2012	684,008	1,656,735	168,813	2,509,556
March 31, 2011	744,645	2,119,591	390,095	3,254,331

Lease payments recognized as an expense during the period are $781,178 (2011 - $759,001).

12. Operating Leases and Commitments (continued...)

Commitments

The Commission has entered into contracts with various suppliers for hardware maintenance and software support services. The total of these contracts is $208,152 and they expire on March 31, 2013.

13. Gross Receipts

	2012 $	2011 $
Sales	66,380,637	64,145,491
Taxes collected and remitted		
Provincial Health Tax	16,898,017	16,247,540
Provincial Sales Tax	7,445,214	7,158,110
Federal Goods and Services Tax	4,300,864	4,177,248
Gross receipts	95,024,732	91,728,389

14. Employee Benefits

a) Pension Benefits

Permanent employees of the Commission participate in the Province of Prince Edward Island Civil Service Superannuation Pension Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The Plan provides a pension on retirement based on two percent of the average salary for the highest three years times the number of years of pensionable service. The Plan is administered by the Province of Prince Edward Island. The Commission's annual portion of contributions to the Plan is paid by the Province and not reflected in these financial statements. Any unfunded liability of the Plan is the responsibility of the Province and therefore no liability has been recognized in these financial statements.

b) Retiring Allowance

The Commission provides a retirement allowance to its permanent employees. The amount paid to eligible employees at retirement is based on the number of years of service and the rate of pay in effect at the retirement date. The benefit costs and liabilities related to the allowance are assumed by the Province and are not included in these financial statements.

14. Employee Benefits (continued...)

c) Sick Leave

Classified employees are credited 1.25 (1.5 - excluded employees) days per month for use as paid absences in the year, due to illness or injury. Under existing employment agreements, employees are allowed to accumulate unused sick day credits each year, up to the allowable maximum. Accumulated credits may be used in future years to the extent the employee's illness or injury exceeds the current year's allocation. The use of accumulated sick days for sick leave compensation ceases on termination of employment and there is no obligation to settle these amounts with cash payments. A liability, if any, has not been calculated and no accrual has been recorded in these financial statements.

15. Related Party Transactions

These financial statements include the results of normal operating transactions with various provincial departments, Crown corporations, and agencies with which the Commission is related. Operating transactions with related parties, such as insurance and taxes ($166,933) and interest on debentures ($150,101) are recorded at rates as determined by the Province of Prince Edward Island.

The gain on exchange of non-current assets is a result of a related party transaction with a provincial department and has been recorded at the appraised market value of the property transferred. Consideration received was in the form of paving and site work in lieu of actual cash.

Key management received $541,044 during the year for salaries and benefits. Long-term benefits such as pensions are the responsibility of the Province and are not included in these financial statements.

The Commission's employee wages and benefits are paid by the Province and subsequently reimbursed by the Commission.

16. First Time Adoption of International Financial Reporting Standards (IFRS)

These are the Commission's first financial statements prepared in accordance with International Financial Reporting Standards. The date of transition to IFRS was April 1, 2010.

The Commission's IFRS accounting policies presented in Note 3 have been applied in preparing the financial statements for the year ended March 31, 2012, the comparative information, and the opening statement of financial position at the date of transition.

16. **First Time Adoption of International Financial Reporting Standards (continued...)**

The Commission has applied IFRS 1 "*First-time Adoption of International Financial Reporting Standards*" in preparing these first IFRS financial statements. The effects of the transition to IFRS on equity, comprehensive income, assets, and liabilities are shown at the end of this note.

First Time Adoption Exemptions Applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Commission has applied the mandatory exemptions and certain optional exemptions, as set out below.

Mandatory Exemptions Adopted by the Commission

Financial assets and liabilities that had been de-recognized before January 1, 2004, under previous Generally Accepted Accounting Principles (GAAP), have not been recognized under IFRS.

The Commission has used estimates under IFRS that are consistent with those applied under previous GAAP unless there is objective evidence those estimates were in error.

Optional Exemptions Applied by the Commission

The Commission has elected not to use fair value as deemed cost at the date of transition for items of property, plant, and equipment.

The Commission has elected not to use facts and circumstances existing at the date of transition to determine whether an arrangement contains a lease. The Commission has already performed similar assessments under previous GAAP.

Reconciliations from Canadian GAAP to IFRS

In preparing the financial statements, the Commission adjusted amounts reported previously under Canadian GAAP to conform to the requirements of IFRS. As required by IFRS 1, an explanation of how the transition affected the Commission's financial position, comprehensive income, retained earnings, and cash flow is presented in the following reconciliations and explanatory notes.

16. First Time Adoption of International Financial Reporting Standards (continued...)

Reconciliation of Statement of Financial Position as of April 1, 2010

Assets	Notes	Canadian GAAP $	Adjustments* $	IFRS $
Current Assets				
Cash		979,252	-	979,252
Accounts receivable		710,744	-	710,744
Inventory		4,213,569	-	4,213,569
Prepaid expenses		94,562	-	94,562
		5,998,127	-	5,998,127
Non Current Assets				
Property, plant, and equipment	A	4,308,698	691,145	4,999,843
Total Assets		10,306,825	691,145	10,997,970
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	C, D	1,040,516	155,782	1,196,298
Due to the Province of Prince Edward Island	A, C	5,755,070	477,302	6,232,372
Deferred revenue	D	-	58,061	58,061
Current portion of debentures payable		862,406	-	862,406
		7,657,992	691,145	8,349,137
Non Current Liabilities				
Debentures payable		2,648,833	-	2,648,833
Total Liabilities		10,306,825	691,145	10,997,970

* Includes IFRS and other adjustments as detailed below

16. First Time Adoption of International Financial Reporting Standards (continued...)

Reconciliation of Statement of Financial Position as of March 31, 2011

Assets	Notes	Canadian GAAP $	Adjustments* $	IFRS $
Current Assets				
Cash		622,595	-	622,595
Accounts receivable		912,253	-	912,253
Inventory		5,586,541	-	5,586,541
Prepaid expenses		110,815	-	110,815
		7,232,204	-	7,232,204
Non Current Assets				
Property, plant, and equipment	A	4,587,795	704,693	5,292,488
Total Assets		11,819,999	704,693	12,524,692
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	C, D	2,071,824	169,244	2,241,068
Due to the Province of Prince Edward Island	A, C	6,404,342	462,977	6,867,319
Deferred revenue	D	-	72,472	72,472
Current portion of debentures payable		911,990	-	911,990
		9,388,156	704,693	10,092,849
Non Current Liabilities				
Debentures payable		2,431,843	-	2,431,843
Total Liabilities		11,819,999	704,693	12,524,692

* Includes IFRS and other adjustments as detailed below.

16. First Time Adoption of International Financial Reporting Standards (continued...)

Reconciliation of Comprehensive Income for the year ended March 31, 2011

	Notes	Canadian GAAP $	Adjustments* $	IFRS $
Revenue				
Sales		64,145,491	-	64,145,491
Cost of goods sold		36,862,881	-	36,862,881
Gross profit		27,282,610	-	27,282,610
Expenses				
Amortization	A	814,493	(13,549)	800,944
Insurance and taxes		173,202	-	173,202
Interest on long-term debt		185,456	-	185,456
Leases		759,001	-	759,001
Other operating expenses		842,465	-	842,465
Repairs and maintenance		719,502	-	719,502
Salaries and benefits	C	9,084,961	27,874	9,112,835
Store and office expenses		440,848	-	440,848
Travel		129,852	-	129,852
Utilities		811,446	-	811,446
		13,961,226	14,325	13,975,551
Income from operations		13,321,384	(14,325)	13,307,059
Other income		1,982,640	-	1,982,640
Comprehensive income	A, B, C	15,304,024	(14,325)	15,289,699

Reconciliation of Retained Earnings

	Notes	March 31, 2011 $	April 1, 2010 $
Retained earnings, under Canadian GAAP		-	-
Vacation pay accrual	C	(241,716)	(213,843)
Distributions to the Province of Prince Edward Island	C	241,716	213,843
Retained earnings, under Canadian GAAP, restated		-	-
Componentization of property, plant, and equipment	A	704,693	691,145
Distributions to the Province of Prince Edward Island	A	(704,693)	(691,145)
Retained earnings, under IFRS		-	-

* Includes IFRS and other adjustments as detailed below.

16. First Time Adoption of International Financial Reporting Standards (continued...)

Reconciliation of Cash Flow for the year ended March 31, 2011

	Notes	Canadian GAAP $	Adjustments* $	IFRS $
Cash provided (used) by:				
Operating Activities				
Comprehensive income	A, B, C	15,304,024	(14,325)	15,289,699
Amortization	A	814,493	(13,549)	800,944
		16,118,517	(27,874)	16,090,643
Changes in working capital:				
Accounts receivable		(201,509)	-	(201,509)
Inventories		(1,372,972)	-	(1,372,972)
Prepaid expenses		(16,253)	-	(16,253)
Accounts payable	C, D	1,031,308	13,462	1,044,770
Deferred revenue	D	-	14,412	14,412
Cash provided by operating activities		15,559,091	-	15,559,091
Financing Activities				
Payments to the Province of Prince Edward Island		(14,654,753)	-	(14,654,753)
Loans from the Province of Prince Edward Island		695,000	-	695,000
Debenture repayments		(862,405)	-	(862,405)
Cash used by financing activities		(14,822,158)	-	(14,822,158)
Investing Activities				
Acquisition of property, plant, and equipment		(1,093,590)	-	(1,093,590)
Change in cash		(356,657)	-	(356,657)
Cash, beginning of year		979,252	-	979,252
Cash, end of year		622,595	-	622,595

*Includes IFRS and other adjustments as detailed below.

16. **First Time Adoption of International Financial Reporting Standards (continued...)**

Changes in Accounting Policies

The following narratives explain differences between the previous Canadian GAAP and the current IFRS accounting policies applied by the Commission. The narratives describe only the differences impacting the financial statements and they are not a comprehensive list of all differences between the two accounting frameworks. The letters below correspond to the same letters referenced in the reconciliations above.

A Componentization of Property, Plant, and Equipment

In accordance with IFRS, components of property, plant, and equipment with significant costs and different useful lives than the asset as a whole are required to be amortized using a different depreciation rate than the whole asset. Such significant components were noted in leasehold improvements with longer useful lives than previously reported under Canadian GAAP. As a result, the net book value of property, plant, and equipment and payables to the Province increased in relation to amounts previously reported under Canadian GAAP. This caused the amortization expense for the 2011 fiscal year to decrease which increased comprehensive income and the payable to the Province for that year.

B Comprehensive Income

The amounts previously reported as net income under Canadian GAAP are now referred to as comprehensive income under IFRS terminology.

Other Adjustments

C Vacation Accruals

In prior years, vacation accruals were recognized on the statements of the Province of Prince Edward Island. These costs are the responsibility of the Commission and have been restated and recognized in these statements. The restatement has increased accounts payable and accrued liabilities and reduced the liability due to the Province. For the 2011 fiscal year, there was an increase in salaries and benefits along with a decrease in comprehensive income and payable to the Province due to the increase in vacation accruals for that fiscal period.

D Reclassification Adjustments

Deferred revenue amounts have been reported separately and reclassified from accounts payable and accrued liabilities as previously reported.

17. Contingent Liabilities

The Prince Edward Island Liquor Control Commission is subject to legal actions arising in the normal course of business. At the issuance date of these financial statements there was an outstanding legal claim against the Commission. Costs, if any, related to this outstanding claim are the responsibility of the Prince Edward Island Self Insurance and Risk Management Fund. The Fund provides general liability, errors and omissions, primary property, crime, and automobile liability insurance. The Fund is administered by the Province of Prince Edward Island and the Province is responsible for any liabilities of the Fund.

18. Subsequent Events

Subsequent to March 31, 2012, the Commission approved five privately owned agency stores to sell liquor products in Prince Edward Island. Applicable legislative changes were also passed subsequent to year-end to provide the authority for the operation of privately owned agency stores. All five stores have commenced operations. At this time, the future financial impact of these agency stores on the Commission is undeterminable.

Liquor Control
Commission